

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

SUNOCO PARTNERS MARKETING &
TERMINALS L.P.,

Plaintiff,

V.

POWDER SPRINGS LOGISTICS, LLC, AND
MAGELLAN MIDSTREAM PARTNERS,
L.P.,

Defendants.

Case No. _____

JURY TRIAL DEMANDED

EXHIBIT 2

TO

**SUNOCO PARTNERS MARKETING & TERMINALS L.P.'S
COMPLAINT FOR PATENT INFRINGEMENT**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)



**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2016

or



**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-16335

Magellan Midstream Partners, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

73-1599053
(I.R.S. Employer
Identification No.)

Magellan GP, LLC
P.O. Box 22186, Tulsa, Oklahoma
(Address of principal executive offices)

74121-2186
(Zip Code)

Registrant's telephone number, including area code: **(918) 574-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Units representing limited partnership interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the registrant's voting and non-voting limited partner units held by non-affiliates computed by reference to the price at which the limited partner units were last sold as of June 30, 2016 was \$17,271,907,668.

As of February 16, 2017, there were 228,024,556 limited partner units outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement prepared for the solicitation of proxies in connection with the 2017 Annual Meeting of Limited Partners are to be incorporated by reference in Part III of this Form 10-K.

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MAGELLAN MIDSTREAM PARTNERS, L.P.

FORM 10-K

PART I

Item 1. Business

(a) General Development of Business

We are a Delaware limited partnership formed in August 2000 and our limited partner units are traded on the New York Stock Exchange under the ticker symbol “MMP.” Magellan GP, LLC, a wholly-owned Delaware limited liability company, serves as our general partner. Unless indicated otherwise, the terms “our,” “we,” “us” and similar language refer to Magellan Midstream Partners, L.P. together with its subsidiaries.

(b) Financial Information About Segments

See Part II—Item 8. Financial Statements and Supplementary Data, Note 16 – *Segment Disclosures*.

(c) Narrative Description of Business

We are principally engaged in the transportation, storage and distribution of refined petroleum products and crude oil. As of December 31, 2016, our asset portfolio, including the assets of our joint ventures, consisted of:

- our refined products segment, comprised of our 9,700-mile refined products pipeline system with 53 terminals as well as 26 independent terminals not connected to our pipeline system and our 1,100-mile ammonia pipeline system;
- our crude oil segment, comprised of approximately 2,200 miles of crude oil pipelines and storage facilities with an aggregate storage capacity of approximately 26 million barrels, of which 16 million are used for contract storage; and
- our marine storage segment, consisting of five marine terminals located along coastal waterways with an aggregate storage capacity of approximately 26 million barrels.

Industry Background

The U.S. petroleum products transportation and distribution system links sources of crude oil supply with refineries and ultimately with end users of petroleum products. This system is comprised of a network of pipelines, terminals, storage facilities, waterborne vessels, railcars and trucks. For transportation of petroleum products, pipelines are generally the most reliable, lowest cost and safest alternative for intermediate and long-haul movements between different markets. Throughout the distribution system, terminals play a key role in facilitating product movements by providing storage, distribution, blending and other ancillary services.

Terminology common in our industry includes the following terms, which describe products that we transport, store and distribute through our pipelines and terminals:

- *refined products* are the output from refineries and are primarily used as fuels by consumers. Refined products include gasoline, diesel fuel, aviation fuel, kerosene and heating oil. Collectively, diesel fuel and heating oil are referred to as distillates;
- *liquefied petroleum gases or LPGs* are produced as by-products of the crude oil refining process and in connection with natural gas production. LPGs include butane and propane;
- *blendstocks* are blended with refined products to change or enhance their characteristics such as increasing a gasoline’s octane or oxygen content. Blendstocks include alkylates, oxygenates and natural gasoline;

- *heavy oils and feedstocks* are used as burner fuels or feedstocks for further processing by refineries and petrochemical facilities. Heavy oils and feedstocks include No. 6 fuel oil and vacuum gas oil;
- *crude oil and condensate* are used as feedstocks by refineries and petrochemical facilities;
- *biofuels*, such as ethanol and biodiesel, are typically blended with other refined products as required by government mandates; and
- *ammonia* is primarily used as a nitrogen fertilizer.

Except for ammonia, we use the term *petroleum products* to describe any, or a combination, of the above-noted products.

Description of Our Businesses

REFINED PRODUCTS

Our refined products segment consists of our common carrier refined products pipeline system, independent terminals and our ammonia pipeline system. Our refined products pipeline system is the longest common carrier pipeline system for refined products and LPGs in the U.S., extending approximately 9,700 miles from the Gulf Coast and covering a 15-state area across the central U.S. The system includes approximately 42 million barrels of aggregate usable storage capacity at 53 connected terminals. Our network of independent terminals includes 26 refined products terminals with 6 million barrels of storage located primarily in the southeastern U.S. and connected to third-party common carrier interstate pipelines, including the Colonial and Plantation pipelines. Our 1,100-mile common carrier ammonia pipeline system extends from production facilities in Texas and Oklahoma to terminals in agricultural demand centers in the Midwest.

Our refined products segment accounted for the following percentages of our consolidated revenue, operating margin and total assets:

	Year Ended December 31,		
	2014	2015	2016
Percent of consolidated revenue	77%	73%	71%
Percent of consolidated operating margin	68%	61%	57%
Percent of consolidated total assets	52%	50%	49%

See Note 16—*Segment Disclosures* in the accompanying consolidated financial statements in Item 8 for additional financial information about our refined products segment.

Operations. *Transportation, Terminalling and Ancillary Services.* During 2016, approximately 70% of the refined products segment's revenue (excluding product sales revenue) was generated from transportation tariffs on volumes shipped on our refined products pipeline system. These transportation tariffs vary depending upon where the product originates, where ultimate delivery occurs and any applicable discounts. All transportation rates and discounts are in published tariffs filed with the Federal Energy Regulatory Commission ("FERC") or appropriate state agency. Included as part of these tariffs are charges for terminalling and storage of products at 31 of our pipeline system's 53 connected terminals. Revenue from terminalling and storage at the other 22 terminals on our refined products pipeline system is derived from privately negotiated rates.

In 2016, the products transported on our refined products pipeline system were comprised of 60% gasoline, 32% distillates and 8% aviation fuel and LPGs. The operating statistics below reflect our refined products pipeline system's operations for the periods indicated:

	Year Ended December 31,		
	2014	2015	2016
Shipments (million barrels):			
Gasoline.....	256.1	268.1	275.4
Distillates.....	163.1	152.5	150.2
Aviation fuel.....	23.0	21.2	25.7
LPGs.....	9.9	9.7	10.4
Total shipments.....	452.1	451.5	461.7

Our refined products pipeline system generates additional revenue from providing pipeline capacity and tank storage services, as well as providing services such as terminalling, ethanol and biodiesel unloading and loading, additive injection, custom blending, laboratory testing and data services to shippers, which are performed under a mix of "as needed," monthly and long-term agreements. Furthermore, under our tariffs, we are allowed to deduct prescribed quantities of the products our shippers transport, which are commonly referred to as "tender deductions," on our pipelines to compensate us for lost product during shipment due to metering inaccuracies, intermingling of products between batches (transmix), evaporation or other events that result in volume losses during the shipment process. In return for these tender deductions, our customers receive a guaranteed delivery of the gross volume of products they ship with us, less the amount of our tender deductions, irrespective of the actual amount of product losses we incur during the shipment process.

Our independent terminals generate revenue primarily by charging fees based on the amount of product delivered through our facilities and from ancillary services such as additive injections and ethanol blending. Our ammonia pipeline system generates revenue primarily through transportation tariffs on volumes shipped.

Commodity-Related Activities. Substantially all of the transportation and throughput services we provide are for third parties, and we do not take title to those products. We do take title of products related to tender deductions, product overages and our butane blending and fractionation activities on our refined products pipeline system. The sales of these products generate product sales revenue.

Our butane blending activity primarily involves purchasing butane and blending it into gasoline, which creates additional gasoline available for us to sell. This activity is limited by seasonal changes in gasoline vapor pressure specification requirements and by the varying quality of the gasoline products delivered to us. We typically hedge the economic margin from this blending activity by entering into either forward physical or exchange-traded gasoline futures contracts at the time we purchase the related butane. These blending activities accounted for approximately 71% of the total product margin for the refined products segment during 2016. When the differential between the cost of butane and the price of gasoline is narrow, the product margin we earn from these activities is negatively impacted.

We also operate three fractionators along our pipeline system that separate transmix, which is an unusable mixture of various refined products, into its original components. In addition to fractionating the transmix that results from our pipeline operations, we also purchase and fractionate transmix from third parties and sell the resulting separated refined products.

Product margin from commodity-related activities in our refined products segment was \$279.7 million, \$180.5 million and \$101.8 million for the years ended December 31, 2014, 2015 and 2016, respectively. The amount of margin we earn from these activities fluctuates with changes in petroleum prices. Product margin is not a generally accepted accounting principle ("GAAP") financial measure, but its components are determined in accordance with GAAP. Product margin, which is calculated as product sales revenue less cost of product sales, is used by management to evaluate the profitability of our commodity-related activities. The components of product margin

included in operating profit, the nearest GAAP measurement, is provided in Note 16—*Segment Disclosures* to the consolidated financial statements included in Item 8 of this report.

Joint Venture Activities. We own a 50% interest in Powder Springs Logistics, LLC (“Powder Springs”), which was formed to construct and develop a butane blending system, including 120,000 barrels of butane storage, near Atlanta, Georgia. We served as construction manager and serve as operator of the Powder Springs facility, which we expect to begin operating in first quarter 2017.

Markets and Competition. Shipments originate on our refined products pipeline system from direct connections to refineries, through interconnections with other interstate pipelines or at our terminals for transportation and ultimate distribution to retail gasoline stations, truck stops, railroads, airports and other end users. Through direct refinery connections and interconnections with other interstate pipelines, our refined products system can access approximately 48% of U.S. refining capacity, and in particular is well-connected to Gulf Coast and Mid-Continent refineries. Our system is dependent on the ability of refiners and marketers to meet the demand for those products in the markets they serve through their shipments on our pipeline system. According to September 2016 projections provided by the Energy Information Administration, which represent the latest long-term outlook at this point, the demand for refined products in the primary market areas served by our pipeline system, known as the West North Central and West South Central census districts, is expected to remain relatively stable over the next 10 years. As a result of its extensive connections to multiple refining regions, our pipeline system is well positioned to accommodate demand or supply shifts that may occur.

In 2016, approximately 70% of the products transported on our refined products pipeline system originated from 19 direct refinery connections and 30% originated from connections with other pipelines or terminals.

As set forth in the table below, our system is directly connected to and receives product from the following 19 refineries:

Major Origins—Refineries (Listed Alphabetically)

Company	Refinery Location
Calumet Specialty Products	Superior, WI
CHS	McPherson, KS
CVR Energy	Coffeyville, KS
CVR Energy	Wynnewood, OK
Flint Hills Resources	Rosemount, MN
HollyFrontier	El Dorado, KS
HollyFrontier	Tulsa, OK
HollyFrontier	Cheyenne, WY
Marathon	Galveston Bay, TX
Marathon	Texas City, TX
Phillips 66	Ponca City, OK
Sinclair	Evansville, WY
Suncor Energy	Commerce City, CO
Valero	Ardmore, OK
Valero	Houston, TX
Valero	Texas City, TX
Western Refining	St. Paul, MN
Western Refining	El Paso, TX
Wyoming Refining	Newcastle, WY

Our system is also connected to multiple pipelines and terminals, including those shown in the table below:

Major Origins—Pipeline and Terminal Connections (Listed Alphabetically)

Pipeline/Terminal	Connection Location	Source of Product
BP	Manhattan, IL	Whiting, IN refinery
CHS	Fargo, ND	Laurel, MT refinery
Explorer	Glenpool, OK; Mt. Vernon, MO; Dallas, TX; East Houston, TX	Various Gulf Coast refineries
Holly Energy Partners	Duncan, OK; El Paso, TX	Big Spring, TX refinery, Artesia, NM refinery
Kinder Morgan	Galena Park and Pasadena, TX	Various Gulf Coast refineries and imports
Magellan Terminals Holdings	Galena Park, TX	Various Gulf Coast refineries and imports
Mid-America (Enterprise)	El Dorado, KS	Conway, KS storage
NuStar Energy	El Dorado, KS; Minneapolis, MN; Denver, CO	Various OK & KS refineries, Mandan, ND refinery, McKee, TX refinery
ONEOK Partners	Plattsburg, MO; Des Moines, IA; Wayne, IL	Bushton, KS storage and Chicago, IL area refineries
Phillips 66	Kansas City, KS; Denver, CO; Casper, WY; Pasadena, TX	Borger, TX refinery, various Billings, MT area refineries, Sweeney, TX refinery
Shell	East Houston, TX	Deer Park, TX refinery

In certain markets, barge, truck or rail provide an alternative source for transporting refined products; however, pipelines are generally the most reliable, lowest cost and safest alternative for refined products movements between different markets. As a result, our pipeline system's most significant competitors are other pipelines that serve the same markets.

Competition with other pipeline systems is based primarily on transportation charges, quality of customer service, proximity to end users and longstanding customer relationships. However, given the different supply sources on each pipeline, pricing at either the origin or terminal point on a pipeline may outweigh transportation costs when customers choose which pipeline to use.

Another form of competition for pipelines is the use of exchange agreements among shippers. Under these agreements, a shipper agrees to supply a market near its refinery or terminal in exchange for receiving supply from another refinery or terminal in a more distant market. These agreements allow the two parties to reduce the volumes transported and the transportation fees paid to us. We compete with these alternatives through price incentives and through long-term commercial arrangements with potential exchange partners.

Government mandates increasingly require the use of renewable fuels, particularly ethanol. Due to technical and operational concerns, pipelines have generally not shipped ethanol, and most ethanol is transported by railroad, truck or barge. The increased use of ethanol has and will continue to compete with shipments on our pipeline system. However, most of our terminals have the necessary infrastructure to blend ethanol with refined products, and we earn revenue for these services.

Our independent terminals receive product primarily from the interstate pipelines to which they are connected and serve the retail, industrial and commercial sales markets along those pipelines. Demand for our services is driven primarily by end user demand in those markets. Our terminals compete with other independent terminal operators as well as integrated oil companies on the basis of terminal location and versatility, services provided and price.

Our ammonia pipeline system receives product from ammonia production facilities in Texas and Oklahoma and delivers to agricultural markets in the Midwest, where the ammonia is used by farmers as a nitrogen fertilizer. Our system competes primarily with ammonia shipped by rail carriers and in certain markets with a third-party ammonia pipeline.

Customers and Contracts. Our refined products pipeline system ships products for several different types of customers, including independent and integrated oil companies, wholesalers, retailers, traders, railroads, airlines, bio-fuel producers and regional farm cooperatives. End markets for refined products deliveries are primarily retail gasoline stations, truck stops, farm cooperatives, railroad fueling depots and military and commercial jet fuel users. LPG shippers include wholesalers and retailers that, in turn, sell to commercial, industrial, agricultural and residential heating customers, as well as utilities who use propane as a fuel source. Published tariffs serve as contracts, and shippers nominate the volume to be shipped up to a month in advance. In addition, we enter into agreements with shippers that commonly result in payment, volume or term commitments in exchange for reduced tariff rates or capital expansion commitments on our part. For 2016, approximately 37% of the shipments on our pipeline system were subject to these supplemental agreements. The average remaining life of these agreements was approximately four years as of December 31, 2016, with remaining terms of up to 12 years. While many of these supplemental agreements do not represent guaranteed volumes, they do reflect a significant level of shipper commitment to our refined products pipeline system.

For the year ended December 31, 2016, our refined products pipeline system had approximately 60 transportation customers. The top 10 shippers included independent refining companies, integrated oil companies and farm cooperatives. Revenue attributable to these top 10 shippers for the year ended December 31, 2016 represented 39% of total revenue for our refined products segment and 56% of revenue excluding product sales.

Customers of our independent terminals include independent and integrated oil companies, retailers, wholesalers and traders. Contracts vary in term and commitment and typically renew automatically at the end of each contract period.

Our ammonia pipeline system ships product for three customers who own production facilities connected to our system. We have agreements with these customers that contain minimum volume commitments whereby a customer must pay for unused pipeline capacity if the customer fails to ship its committed volume.

Product sales are primarily to trading and marketing or other companies active in the markets we serve. These sales agreements are generally short-term in nature.

CRUDE OIL

Our crude oil segment is comprised of approximately 2,200 miles of crude oil pipelines with an aggregate storage capacity of approximately 26 million barrels of storage, of which 16 million are used for contract storage. The crude oil segment includes: (i) the Longhorn pipeline; (ii) our Cushing, Oklahoma storage terminal; (iii) the Houston-area crude oil distribution system; (iv) the crude oil components of our East Houston, Texas terminal; (v) the crude oil components of our Corpus Christi, Texas terminal, including our recently constructed condensate splitter; (vi) the Gibson, Louisiana terminal; and (vii) the assets owned by our BridgeTex Pipeline Company, LLC (“BridgeTex”), Double Eagle Pipeline LLC (“Double Eagle”), HoustonLink Pipeline Company, LLC (“HoustonLink”), Saddlehorn Pipeline Company, LLC (“Saddlehorn”) and Seabrook Logistics, LLC (“Seabrook”) joint ventures.

Our crude oil segment accounted for the following percentages of our consolidated revenue, operating margin and total assets:

	Year Ended December 31,		
	2014	2015	2016
Percent of consolidated revenue	15%	19%	20%
Percent of consolidated operating margin.....	23%	30%	32%
Percent of consolidated total assets	35%	38%	39%

See Note 16—*Segment Disclosures* in the accompanying consolidated financial statements in Item 8 for additional financial information about our crude oil segment.

Operations. Our crude oil assets are strategically located to serve crude oil supply, trading and demand centers. Revenue is generated primarily through transportation tariffs paid by shippers on our crude oil pipelines and storage fees paid by our crude oil terminal customers. In addition, we earn revenue for ancillary services including throughput fees. We generally do not take title to the products we ship or store for our crude oil customers. We do own certain tank bottom assets at our crude oil terminal in Cushing, Oklahoma that are not sold in the normal course of business and are classified as long-term assets on our consolidated balance sheets. In addition, our tariffs provide for tender deductions to compensate us for lost product during shipment due to metering inaccuracies, evaporation or other events that result in volume losses during the shipment process, and we take title to these products.

The approximately 450-mile Longhorn pipeline has the capacity to transport up to 275,000 barrels per day (“bpd”) of crude oil from the Permian Basin in West Texas to Houston, Texas. Shipments originate on the Longhorn pipeline in Crane, Barnhart or Midland, Texas via trucks or interconnections with crude oil gathering systems owned by third parties and are delivered to our terminal at East Houston or to various points on the Houston Ship Channel, including multiple refineries connected to our Houston-area crude oil distribution system that terminates in Texas City, Texas.

Our East Houston terminal includes approximately seven million barrels of crude oil storage, with approximately four million barrels used for contract storage and three million barrels dedicated to the operation of the Longhorn and BridgeTex pipelines, which deliver crude oil to our East Houston terminal. (See discussion of our BridgeTex joint venture under *Joint Venture Activities* below.) Our East Houston terminal is also connected to our Houston-area crude oil distribution system and to third-party pipelines, including the Houston-to-Houma pipeline, and Argus’ West Texas Intermediate (“WTI”) Houston price assessment is based on trades at the terminal. We are building additional storage at this location to facilitate movements on our pipeline systems or for contract storage.

Our Houston-area crude oil distribution system consists of more than 100 miles of pipeline that connect our East Houston terminal through several interchanges to various points, including multiple refineries throughout the Houston area and Texas City, Texas. In addition, it is directly connected to other third-party crude oil pipelines providing us access to crude oil from the Eagle Ford shale, the strategic crude oil trading hub in Cushing, Oklahoma and crude oil imports.

Our Cushing terminal consists of approximately 12 million barrels of crude oil storage, of which two million barrels are reserved for working inventory, leaving 10 million barrels for contract storage. The facility primarily receives and distributes crude oil via the multiple common carrier pipelines that terminate in and originate from the Cushing crude oil trading hub, as well as short-haul pipeline connections with neighboring crude oil terminals.

We own approximately 400 miles of pipeline in Kansas and Oklahoma used for crude oil service. A portion of these pipelines are leased to third parties, and we earn revenue from these pipeline segments for capacity reserved even if not used by the customers.

Our Corpus Christi, Texas terminal includes approximately two million barrels of condensate storage, with a portion used for contract storage and a portion used in conjunction with our Double Eagle joint venture discussed below. These assets receive product primarily from trucks, barges and pipelines that connect to our terminal for further distribution to end users by pipeline or waterborne vessels. In addition, we recently constructed a 50,000 bpd condensate splitter with approximately one million barrels of related storage at our terminal in Corpus Christi. For additional information regarding the splitter, see *Item 7. Management's Discussion and Analysis – Recent Developments*.

Joint Venture Activities. We own a 50% interest in BridgeTex, a joint venture with an affiliate of Plains All American Pipeline, L.P. (“Plains”). BridgeTex owns an approximately 400-mile pipeline currently capable of transporting up to 300,000 bpd of Permian Basin crude oil from Colorado City, Texas to our East Houston terminal. We are in the process of adding a new BridgeTex origin at Bryan, Texas and increasing the capacity of BridgeTex to 400,000 bpd, both of which are expected to be operational in second quarter 2017. We receive management fees to operate BridgeTex, which we report as affiliate management fee revenue on our consolidated statements of income. We entered into a long-term lease agreement with BridgeTex to provide it with capacity on our Houston-area crude oil distribution system, and we receive capacity lease revenue from this agreement, which is included in transportation and terminals revenue on our consolidated statements of income.

We own a 50% interest in Double Eagle, a joint venture with an affiliate of Kinder Morgan, Inc. (“Kinder”) that transports condensate from the Eagle Ford shale formation in South Texas via an approximately 200-mile pipeline to our terminal in Corpus Christi or to an inter-connecting pipeline that transports product to the Houston area. An affiliate of Kinder serves as the operator of Double Eagle. In addition to equity earnings recognized from our investment, we receive throughput revenue from Double Eagle that is included in our transportation and terminals revenue on our consolidated statements of income.

We own a 50% interest in HoustonLink, a joint venture with an affiliate of TransCanada Corporation (“TransCanada”). HoustonLink owns and operates a crude oil pipeline connecting TransCanada’s Houston tank terminal to our East Houston terminal. The HoustonLink pipeline became operational at the end of 2016.

We own a 40% interest in Saddlehorn, a joint venture with an affiliate of Plains (40% interest) and an affiliate of Anadarko Petroleum Corporation (20% interest). Saddlehorn owns an undivided joint interest in an approximately 600-mile pipeline, which delivers various grades of crude oil from the DJ Basin region of Colorado to existing storage facilities in Cushing, Oklahoma. Saddlehorn has the capacity to deliver up to 190,000 bpd of crude oil. We received construction management fees from Saddlehorn during 2015 and 2016 and began receiving operational management fees when commercial service began in September 2016, which we report as affiliate management fee revenue on our consolidated statements of income.

We own a 50% interest in Seabrook, a joint venture with an affiliate of LBC Tank Terminals, LLC (“LBC”). Seabrook is currently in the final stages of constructing more than 700,000 barrels of crude oil storage located adjacent to LBC’s existing terminal in Seabrook, Texas and a pipeline that will connect Seabrook’s storage facilities to an existing third-party pipeline that will transport crude oil to a Houston-area refinery beginning in the second quarter of 2017. In December 2016, Seabrook announced it will construct an additional 1.7 million barrels of crude oil storage and will construct a new pipeline to connect its facility to our Houston-area crude oil distribution system, expected to be operational in mid-2018.

Markets and Competition. Market conditions experienced by our crude oil pipelines vary significantly by location. The Longhorn and BridgeTex pipelines deliver Permian Basin production to trading and demand centers in the Houston area, and consequently depend on the level of production in the Permian Basin for supply. Demand for shipments to the Houston area is driven primarily by the utilization of West Texas crude oil by Gulf Coast refineries and the price for crude oil on the Gulf Coast relative to its price in alternative markets. Permian Basin production may vary based on numerous factors including overall crude oil prices and changes in costs of production, while Gulf Coast refinery demand for Permian Basin production may change based on relative prices for competing crude oil or changes by refineries to their crude oil processing slates, as well as by overall domestic and international demand for refined products. The Longhorn and BridgeTex pipelines compete with alternative outlets for Permian Basin production, including pipelines that transport crude oil to the Cushing crude oil trading hub as well as other pipelines that currently transport or new pipelines that may transport Permian Basin crude to the Gulf Coast. These pipelines also compete with truck and rail alternatives for Permian Basin barrels. Further, these pipelines indirectly compete with other alternatives for delivering similar quality crude oil to the Gulf Coast, including pipelines from other producing regions such as the Mid-Continent, Eagle Ford or Gulf of Mexico, as well as waterborne imports. Competition is based primarily on tariff rates, proximity to both supply sources and demand centers, connectivity, crude quality and customer relationships.

Volumes on our Houston-area crude oil distribution system are driven by our customers' demand for distribution of crude oil between our system's various connections and as a result are affected in part by changes in origins and destinations of crude oil processed in or distributed through the Gulf Coast region. Our HoustonLink and Seabrook joint ventures offer our customers additional pipeline connectivity and crude oil storage in the Houston area. Our Houston-area distribution facilities compete with other distribution facilities in the Houston area based primarily on tariff rates and connectivity to supply sources and demand centers.

Our crude oil storage facilities in Cushing serve customers who value Cushing's location as an interchange point for numerous interstate pipelines, including Saddlehorn, and its status as a crude oil trading hub. Demand for crude oil storage in Cushing could be affected by changes in crude oil pipeline flows that change the volume of crude oil that flows through or is stored in Cushing, as well as by developments of alternative trading hubs that reduce Cushing's relative importance. In addition, demand for our storage services in Cushing could be affected by crude oil price volatility or price structures or by regulatory or financial conditions that affect the ability of our customers to store or trade crude oil. We compete in Cushing with numerous other storage providers, with competition based on a combination of connectivity, storage rates and other terms, customer service and customer relationships.

The Double Eagle pipeline depends on condensate production from the Eagle Ford shale formation for its supply and competes primarily with other pipelines and supply alternatives that are capable of transporting condensate from the Eagle Ford production area. Competition is based primarily on tariff rates, connectivity and customer service. The demand for Double Eagle's services could be affected by changes in Eagle Ford condensate production or changes in demand for different grades of condensate. Demand for our condensate storage at Corpus Christi is subject to similar market conditions and competitive forces.

Our condensate splitter at our Corpus Christi terminal depends on condensate production primarily from the Eagle Ford shale formation in South Texas and overall product demand for products derived from condensate. Our splitter competes with other facilities in the Gulf Coast region including other splitters and refineries, as well as export alternatives.

The Saddlehorn pipeline depends on crude oil production from the DJ Basin for its supply and competes primarily with other pipelines and supply alternatives that are capable of transporting crude oil from the DJ Basin production area to Cushing. Competition is based primarily on tariff rates, connectivity and customer service. The demand for Saddlehorn's services could be affected by changes in DJ Basin crude oil production and additional investment in competing transportation alternatives out of the basin, as well as the status of Cushing as a crude oil trading hub. DJ Basin production may vary based on numerous factors including overall crude oil prices and changes in costs of production.

Customers and Contracts. We ship crude oil as a common carrier for several different types of customers, including crude oil producers, end users such as refiners, and marketing and trading companies. Published transportation tariffs filed with the FERC or the appropriate state agency serve as contracts to ship on our crude oil pipelines, and shippers nominate volumes to be transported up to a month in advance, with rates varying by origin and destination. In addition, tariff rates can vary with the volume of spot barrel movements on our pipelines, which generally ship at higher rates than those charged to committed shippers. Based on generally accepted practices, we reserve 10% of the shipping capacity of our pipelines for spot shippers. Generally, we secure long-term commitments to support our long-haul crude oil pipeline assets. Specifically with regard to our Longhorn pipeline, the vast majority of the volumes shipped on that system are supported by take-or-pay customer agreements. For 2016, approximately 55% of the shipments on our wholly-owned crude oil pipelines were subject to such commitments. The average remaining life of these contracts was approximately two years as of December 31, 2016. As of December 31, 2016, approximately 85% of our crude oil storage available for contract was under agreements with terms in excess of one year or that renew on an annual basis at our customers' option. The average remaining life of our storage contracts was approximately two years as of December 31, 2016. These agreements obligate the customer to pay for storage capacity reserved even if not used by the customer. BridgeTex, Double Eagle, Saddlehorn and Seabrook also have long-term contracts which support our capital investments in these joint ventures.

MARINE STORAGE

We own and operate five marine storage terminals located along coastal waterways with approximately 26 million barrels of aggregate storage capacity, including approximately one million barrels of storage jointly owned through our Texas Frontera, LLC joint venture ("Texas Frontera"). Our marine terminals provide distribution, storage, blending, inventory management and additive injection services for refiners, marketers, traders and other end users of petroleum products.

Our marine storage segment accounted for the following percentages of our consolidated revenue, operating margin and total assets:

	Year Ended December 31,		
	2014	2015	2016
Percent of consolidated revenue	8%	8%	9%
Percent of consolidated operating margin	9%	9%	10%
Percent of consolidated total assets	12%	11%	12%

See Note 16—*Segment Disclosures* in the accompanying consolidated financial statements in Item 8 for additional financial information about our marine storage segment.

Operations. Our marine storage terminals generate revenue primarily through providing long-term storage services for a variety of customers. Refiners and chemical companies typically use our storage terminals due to tankage constraints at their facilities or the specialized handling requirements of the stored product. We also provide storage services to marketers and traders that require access to significant storage capacity. Because the rates charged at these terminals are unregulated, the marketplace determines the prices we charge for our services. In general, we do not take title to the products that are stored in or distributed from our marine terminals.

Our Galena Park, Texas marine terminal is located along the Houston Ship Channel and is our largest marine facility with 13 million barrels of wholly-owned usable storage capacity. This facility currently stores a mix of refined products, blendstocks, heavy oils and crude oil. This facility receives and distributes products by pipeline, truck, rail, barge and ship. An advantage of our Galena Park facility is that it provides our customers with access to multiple common carrier pipelines, deep-water port facilities that accommodate both ship and barge traffic and loading and unloading facilities for trucks and rail cars.

Our New Haven, Connecticut marine terminal is located on the Long Island Sound near the New York Harbor and has approximately four million barrels of usable storage capacity and primarily handles heating oil, refined products, asphalt, ethanol and biodiesel. This facility receives and distributes products by pipeline, ship, barge and truck.

Our Marrero, Louisiana marine terminal is located on the Mississippi River and has approximately three million barrels of usable storage capacity. This facility primarily handles heavy oils, distillates and asphalt. We receive products at our Marrero terminal by rail, ship and barge and deliver products from Marrero by rail, ship, barge and truck.

Our Wilmington, Delaware marine terminal is located at the Port of Wilmington along the Delaware River. The facility includes almost three million barrels of usable storage and primarily handles refined products, ethanol, heavy oils and crude oil. We receive products at our Wilmington terminal by pipeline, ship and barge and deliver products from this facility by truck, ship and barge.

Our Corpus Christi, Texas marine terminal is located near local refineries and petrochemical plants and includes almost two million barrels of usable storage capacity utilized for heavy oils and feedstocks. We receive and deliver products at our Corpus Christi facility primarily by ship, barge, truck and pipeline.

Joint Venture Activities. We own a 50% interest in Texas Frontera, which owns approximately one million barrels of storage at our Galena Park terminal. This storage is contracted under a long-term agreement with an affiliate of Texas Frontera. In addition to our portion of the net earnings of the joint venture, which we recognize as earnings of non-controlled entities, we receive a fee for operating the storage tanks of Texas Frontera, which we recognize as affiliate management fee revenue on our consolidated statements of income.

Markets and Competition. Our marine storage terminals compete with other terminals with respect to location, price, versatility and services provided. The competition primarily comes from integrated petroleum companies, refining and marketing companies, independent terminal companies and distribution companies with marketing and trading operations.

We believe the continued strong demand for storage and ancillary services at our marine terminals results from our cost-effective distribution services and key transportation links. The ancillary services we provide at our marine terminals, such as product heating, blending, mixing and additive injection, attract additional demand for our storage services and result in additional revenue opportunities. Demand can be influenced by projected changes in and volatility of petroleum product prices.

Customers and Contracts. We have long-standing relationships with refineries, suppliers and traders at our marine terminals. During 2016, approximately 93% of our storage terminal capacity was utilized with the remaining 7% not utilized primarily due to tank integrity work throughout the year. As of December 31, 2016, approximately 80% of our usable storage capacity was under contracts with remaining terms in excess of one year or that renew on an annual basis at our customers' option. The average remaining life of our storage contracts was approximately three years as of December 31, 2016. These contracts obligate the customer to pay for terminal capacity reserved even if not used by the customer.

GENERAL BUSINESS INFORMATION

Major Customers

One customer accounted for 12% of our consolidated total revenue in 2014. The majority of these revenues resulted from the sale of refined products that were generated in connection with our butane blending and fractionation activities, which are activities conducted by our refined products segment. No other customer accounted for more than 10% of our consolidated revenues during 2014, 2015 and 2016.